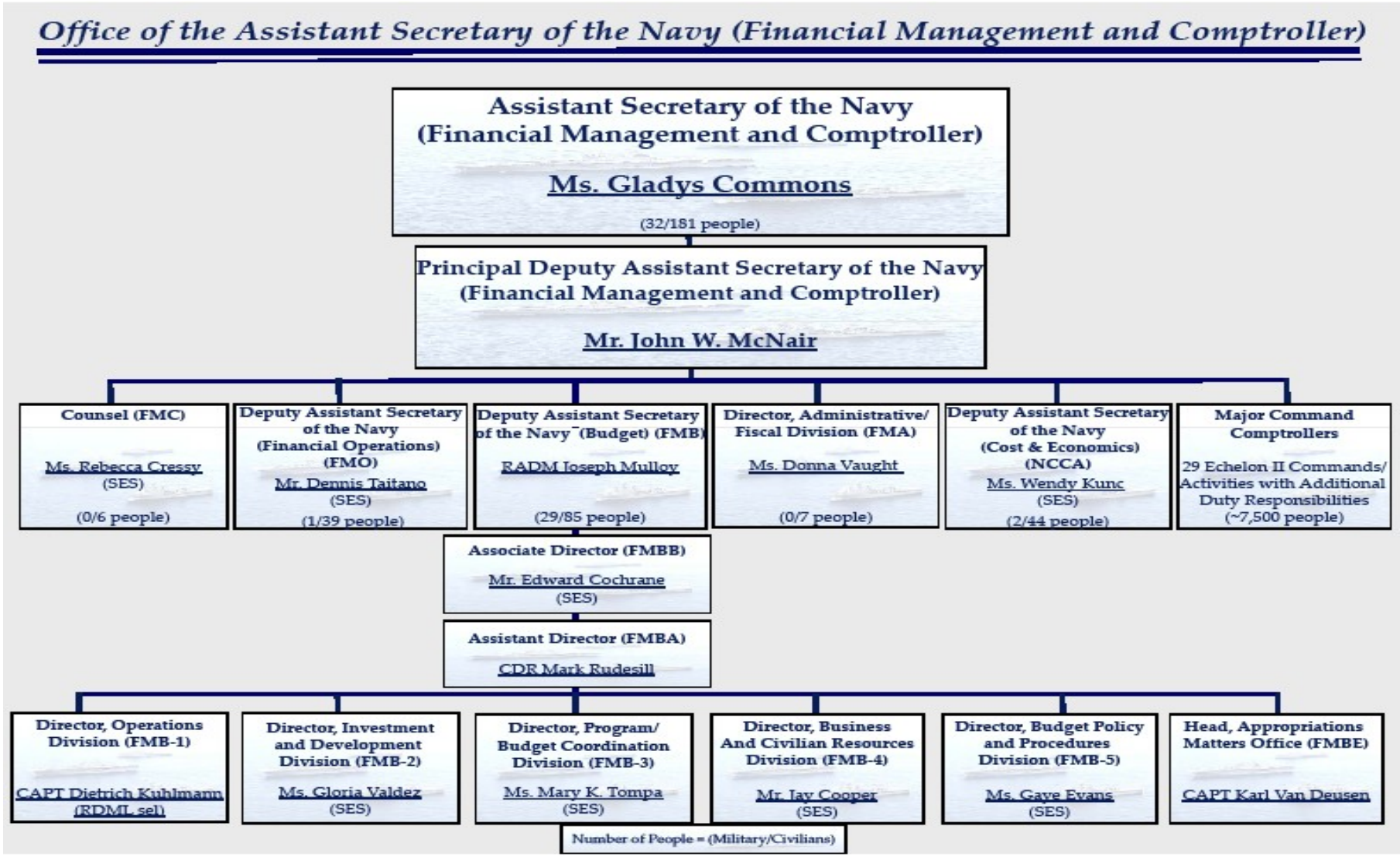
Research, Development, Test and Evaluation, Navy
Overview

Mr. Pete Kelly
FMB 232
Lead RDT&E,N Analyst

Topics

- R&D Management
- Budget Structure and Budget Review
- Execution
  - Funds Distribution – Appropriated Funds
  - Funds Distribution – Continuing Resolution Funds
  - Congressional Adds
  - Benchmarks and Midyear Review
  - Reprogramming
- Special R&D Situations
  - S&T
  - SBIR
  - “Section 219”
  - Minor Construction

ASN FM&C


Office of the Assistant Secretary of the Navy (Financial Management and Comptroller)
Assistant Secretary of the Navy (Financial Management and Comptroller)
Ms. Gladys Commons
(32/181 people)
Principal Deputy Assistant Secretary of the Navy (Financial Management and Comptroller)
Mr. John W. McNair
Counsel (FMC)
Ms. Rebecca Cressy
(SES)
(0/6 people)
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Mr. Dennis Taitano
(SES)
(1/39 people)
Deputy Assistant Secretary of the Navy (Budget) (FMB)
RADM Joseph Mulloy
(29/85 people)
Director, Administrative/ Fiscal Division (FMA)
Ms. Donna Vaught
(0/7 people)
Deputy Assistant Secretary of the Navy (Cost & Economics) (NCCA)
Ms. Wendy Kunc
(SES)
(2/44 people)
Major Command Comptrollers
29 Echelon II Commands/ Activities with Additional Duty Responsibilities
(~7,500 people)
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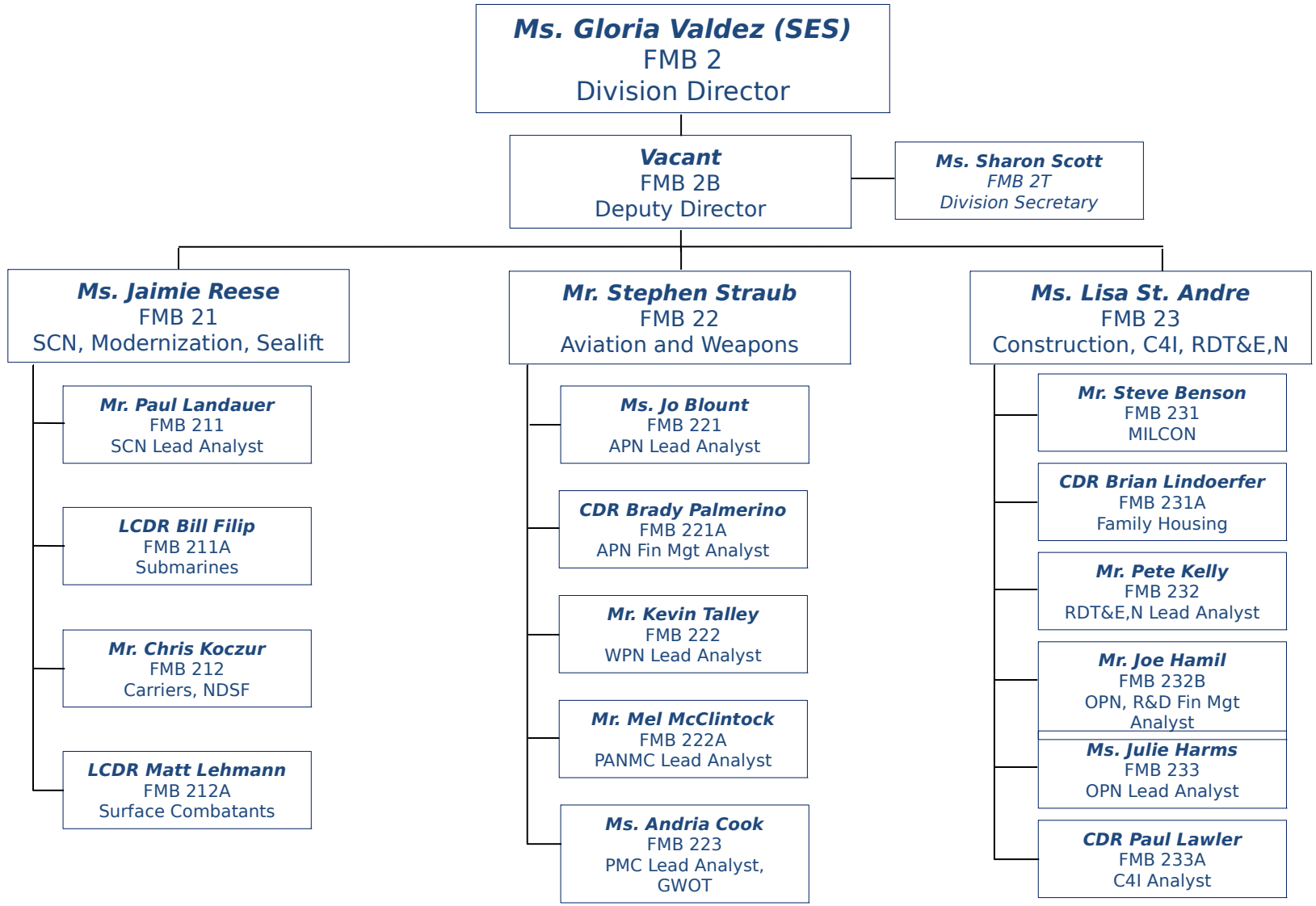
Mr. Edward Cochrane
(SES)
Assistant Director (FMBA)
CDR Mark Rudesill
Director, Operations Division (FMB-1)
CAPT Dietrich Kuhlmann (RDML sel)
Director, Investment and Development Division (FMB-2)
Ms. Gloria Valdez
(SES)
Director, Program/ Budget Coordination Division (FMB-3)
Ms. Mary K. Tompa
(SES)
Director, Business And Civilian Resources Division (FMB-4)
Mr. Jay Cooper
(SES)
Director, Budget Policy and Procedures Division (FMB-5)
Ms. Gaye Evans
(SES)
Head, Appropriations Matters Office (FMBE)
CAPT Karl Van Deusen
Number of People = (Military/Civilians)

FMB 2


Ms. Gloria Valdez (SES)
FMB 2
Division Director
Vacant
FMB 2B
Deputy Director
Ms. Sharon Scott
FMB 2T
Division Secretary
Ms. Jaimie Reese
FMB 21
SCN, Modernization, Sealift
Mr. Paul Landauer
FMB 211
SCN Lead Analyst
LCDR Bill Filip
FMB 211A
Submarines
Mr. Chris Koczur
FMB 212
Carriers, NDSF
LCDR Matt Lehmann
FMB 212A
Surface Combatants
Mr. Stephen Straub
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Ms. Jo Blount
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APN Lead Analyst
CDR Brady Palmerino
FMB 221A
APN Fin Mgt Analyst
Mr. Kevin Talley
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WPN Lead Analyst
Mr. Mel McClintock
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PANMC Lead Analyst
Ms. Andria Cook
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Mr. Steve Benson
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Mr. Pete Kelly
FMB 232
RDT&E,N Lead Analyst
Mr. Joe Hamil
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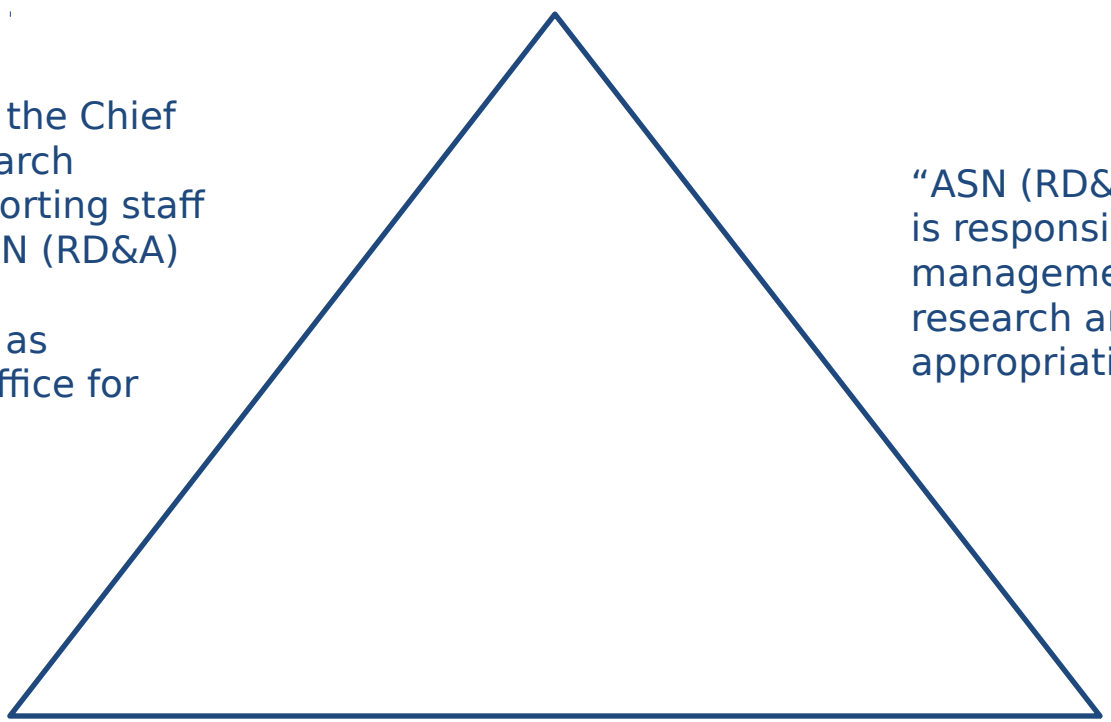
Analyst
Ms. Julie Harms
FMB 233
OPN Lead Analyst
CDR Paul Lawler
FMB 233A
C4I Analyst

Responsibilities



"The Office of the Chief of Naval Research provides supporting staff services to ASN (RD&A) …"
Also assigned as Responsible office for R&D.

"ASN (RD&A), in particular, is responsible for the management of the research and development appropriation."

"All DON comptroller functions, including budget, are assigned to the ASN (FM&C)"

Budget Structure

- Seven budget activities (BA). BA divided into Program Elements (PE). PE divided into RDT&E Projects.
  - For R&D, the PE is the same as the budget line item
  - Project designation is an administrative control function
  - FMB can create new projects
  - N80 works with OSD CAPE to create new PE
- First two digits identify the Major Force Program (DOD 7045.7-H, FYDP Structure Handbook)
  - R&D is Major Force Program 06.
- Second two digits:
  - DOD 7045.7-H: Second two digits identify R&D Category
    - "Old" PE's follow this convention
  - FMR: Second two digits identify Budget Activity
    - "New" PE's follow this convention
  - R&D categories are similar to but not the same as Budget Activities.

Budget Activity vs R&D Category

- BA 01 – Basic Research
- BA 02 – Applied Research
- BA03 – Advanced Technology Development
- BA 04 – Advanced Component Development and Prototypes
- BA 05 – System Development and Demonstration
- BA 06 – RDT&E Management Support
- BA 07 – Operational System Development

- Category 01 – Basic Research
- Category 02 – Exploratory Development
- Category 03 – Advanced Development
- Category 04 – Demonstration/Validation
- Category 05 – Engineering Development
- Category 06 - Management and Support

Budget Exhibits

- Budgets built to match controls issued by FMB 3
  - Control errors not as big a problem due to RDOCS
  - Some execution year adjustments do not get reflected in current year controls for the DON submit
  - Zero-sum admin realignments should be reflected in the DON submit
  - Zero-sum program changes should not be reflected in budget exhibits
  - FY13 OCO requests are not in controls but should be reflected in DON submit
- All R&D PE's submit R-2 and R-2A.
- BA 04, 05, and 07 exhibits have following additional requirements
  - R-3, R-4, and R-4A exhibits
  - Acquisition Strategy Description

Budget Exhibits

- Descriptions should be factual and succinct.
- Spell out all acronyms
- Match Controls
- Explain both year to year changes and any significant changes from the previous President's Budget
  - Don't complain about reductions by Congress, OSD, FMB, or Resource Sponsor
  - Don't say, "Resource Sponsor NXX reduced funding."
  - Explain why the cut was made. "Funding reduction from FY12 to FY13 is due to cancellation of second planned test because all objectives were demonstrated during initial testing."
  - Don't say, "OSD added funds in an RMD."
  - Explain what was added by the RMD. "Funding was added in FY13 to add additional developmental test."
- Contract award dates for the R-3 should be in the Fiscal Year being described
  - Don't show an FY13 date for a contract award in your FY 12 column.
- Make sure your schedule is legible when printed.
- Changes to prior year or current year plans should only be made to correct obvious errors or program changes that have been briefed to Congress

Distribution of Appropriated Funds

- FMB 2 reviews Appropriations Bill and Report to identify proper line item, project, BSO, etc. for all Congressional adjustments.
- FMB 2 determines line item spread of Undistributed General Reductions such as Revised Economic Assumptions and FFRDC reductions.
  - Overall Department of Navy reduction determined by OSD.
  - ONR assists with FFRDC spread
  - N2/6 assists with spread to intelligence programs
- FMB 3 develops and submits DD 1414 “Base for Reprogramming Actions” to OSD.
- OSD reviews and approves DD 1414 and issues Funding Authorization Document (DD 440) to FMB.
- FMB 2 and FMB 3 coordinate distribution of funds to BSOs via Funding Authorization Documents (FADs). Authorization at BSO/PEO/PE/Project level.
- Generally, all funding is issued as part of initial authorization
  - Funds are put on FMB Withhold for programs with known issues

Continuing Resolution Funds Distribution

- ***Language of CR is important – not all CR's are equal. Check with FMB to discuss your situation.***
- "Such amounts as may be necessary, at a rate for operations… for continuing projects or activities…"
- Rate for operations of an activity refers to an appropriation limit, not a line item or project restriction
- OMB and OSD determine CR funding amount based on specific language of CR
- FADs issued to provide authorization up to the President's Budget request for each project. All funds placed on withhold
- FMB 2/3 distribute funds to BSOs as a "lump sum"
  - Initial spread based on pro-rata share of PB request
  - Subsequent fund issues also factored in execution performance and BSO need
  - Obligation Phasing Plan data not used to determine funds distribution
    - Total Navy allocation insufficient for planned obligations
- BSO Comptrollers work with PEOs and Program Offices to determine how to distribute funds to each program
  - Re-distribute funds within BSO as necessary

Continuing Resolution Funds Distribution

- Limited reprogramming ability during CR
  - Transfer funds (MRAP, Counternarcotics)
  - JUONS
- General rule for line item limit: Congressional intent, OSD policy, and GAO guidance is to operate under the “more restrictive authority”
  - Lower of:
    - Prior year appropriation
    - Current year request
    - Any passed legislation, such as an authorization bill
    - Version of appropriations bill passed by House or Senate, if specified in CR
- No new starts
  - New start = no funding in line item in previous year
- Cannot exceed amount authorized on initial FAD
  - Normally the PB request

Congressional Adds

- FY10: ~ 100 adds for $1.2B
- FY11: ~ 22 adds for $721M
- No specific OSD Guidance for release of adds
- DoN releases recurring adds once all budget information verified
- New adds require information paper to ensure add is executed within Congressional intent
- Congressional adds cannot be used to augment program unless identified for that purpose
- Sec 8121 of FY10 Defense Appropriations Act imposed conditions for adds awarded to “for profit” entities
  - Senate only adds subject to same competition regulations as PB request items
  - House only or joint House/Senate sponsored adds must be competed unless contract was previously awarded under full and open competition
    - FAR competition exceptions do not apply

Benchmarks

	1st Year							
	March				Sep			
	ONR 2008 Memo	FMB Midyear Guidance	OSD - Inv	OSD - Fin SumTables	ONR 2008 Memo	FMB Midyear Guidance	OSD - Inv	OSD - Fin SumTables
Obligations	65.0%	65.0%	45.0%	N/A	95.0%	95.0%	90.0%	93.0%
Expenditures	20.0%	20.0%	27.5%	N/A	56.0%	56.0%	55.0%	55.0%

	2nd Year							
	March				Sep			
	ONR 2008 Memo	FMB Midyear Guidance	OSD - Inv	OSD - Fin SumTables	ONR 2008 Memo	FMB Midyear Guidance	OSD - Inv	OSD - Fin SumTables
Obligations	97.5%	97.5%	45.0%	N/A	100.0%	100.0%	100.0%	100.0%
Expenditures	81.4%	81.4%	27.5%	N/A	90.0%	88.0%	90.0%	91.0%

- Multiple variations of benchmarks
- OSD does not publish monthly benchmarks
- Benchmarks are not legally binding
- Being below benchmark does mean funding will automatically be cut
- Being above benchmark does not automatically prevent funding from being cut

Midyear Review

- Identify programs at risk of being below end of year OSD Investment Division targets
  - Does not necessarily mean program is doing something wrong
    - Changing requirements
    - Contract award delays
    - Program Terminations
    - Program has identified efficiencies
  - OSD still reviews program performance under a CR
  - Appropriation still expires in two years even with prolonged CR
- Identify sources for funding ***urgent, emergent*** Department of the Navy unfunded requirements
  - Originate from multiple sources: BSOs, Resource Sponsors, COCOMs, ASN RDA, etc
- Determine which requirements can be funded via BTR, which require submission as part of OMNIBUS ATR

Midyear Information Sheets

- Should be stand alone documents.
- Should explain the plan for all funding released by FMB to the BSO.
  - If your BSO, PEO, or Program Manager withholds funding internally, FMB still considers that funding part of your program.
- Should be specific.
  - Don’t say “The contract award was delayed.”
  - Say “The software development contract with Company ABC was awarded in January, 2 months behind schedule. The delay was due to additional requirements being added to the scope of the contract due to new Information Assurance requirements identified by the DoN CIO.”
  - Don’t say, “We’re behind due to operating under a CRA.”
  - Say, “Because the program was required to operate at the lower FY-10 funding level due to the CR, the software development contract award to Company ABC was delayed from November to January.”
- Explain any contract awards shown on the R-3 budget exhibits that were not awarded as scheduled.
- Obligation and expenditure plans should be realistic. If your plan requires a significant obligation or expenditure increase to meet the End of Year benchmark, explain what is going to be done to cause that increase.

Reprogramming

- Allows movement of funds to higher priority items based on unforeseen military requirements
- 3 types: Below Threshold Reprogramming (BTR), Internal Reprogramming (IR), and Prior Approval (PA) Reprogramming
- BTR Threshold:
  - $10M or 20% of a line item, whichever is less
  - Base for reprogramming is determined by all Congressional adjustments: EXTRANS = PB, CI, CA,UG, SA, PA, IR
  - Funding on FMB Withhold is still part of the program for determining reprogramming base
  - Applies to both line item increases and decreases
  - Change in appropriation is an ATR
  - Cannot BTR for a new start
- BSO can process BTR up to $10M for non-ACAT I programs if BSO “owns” all funds in the line items involved
- BSO can process up to $4M for ACAT I program if BSO “owns” all funds
- BTRs normally processed via ONR Website
- FMB processes BTRs if senior Navy leadership determines BTR is urgent.

Science & Technology

- R&D funding in Budget Activities 01, 02, and 03 is considered S&T funding
- ONR is the only Navy BSO with S&T funding
  - 10 USC 5022 directs that CNR performs duties as assigned by SECNAV pertaining to management of this funding
- S&T funding is currently “fenced” by ASD R&E and OMB

SBIR

- Mandated by 15 USC 638
- SBIR = 2.5%
- STTR = 0.3%
- CPP = 1% OF SBIR
- ADMIN = 0.1625%
  - Admin is not mandated and cannot be funded from SBIR Program funds
- Percentage applies to “extramural” budget
  - Funds obligated by government activities are excluded
- ONR determines required funding amount and manages program
- Statute does not mandate that the SBIR “tax” be taken from each line item or project

Section 219

- Section 219 of the FY09 NDAA directs SECDEF to “establish mechanisms under which the director of a defense laboratory may use an amount of funds equal to not more than three percent of all funds available to the defense laboratory”
- 3 Purposes Identified
  - Innovative basic & applied research
  - Programs to support technology transition
  - Workforce development activities
- FY10 NDAA added authority to use funds for laboratory revitalization
- Navy implemented in FY10 by taxing Navy R&D lines at 2%
  - Certain MDAP, Intelligence programs exempted
- Starting in FY11, these efforts will be funded via overhead component of Navy Working Capital Fund budgets
- No R&D tax will be collected

R&D for Minor Construction

- FMR permits use of RDT&E,N for construction in limited circumstances:
  - Construction of “facilities for RDT&E” up to $750K (Vol 2A, Ch 1, Art 010313)
  - If cost of project is less than 10 USC 2805 limit, project should be financed from OMN;,RDT&E,N; or NWCF as appropriate (Vol 3, Ch 17, Art 170303)
- 10 USC 2805 permits unspecified minor construction up to $2M.
  - $3M to address life, health, or safety threatening concerns
  - SECNAV approval required > $750K
- FY10 NDAA added authority to use “Sec 219” funds for laboratory revitalization
  - Sec 219 funds were RDT&E,N in FY10
  - If included on report SECDEF submitted by Feb 1, 2010
  - Up to $4M. SECNAV must approve project > $2M
  - Authority expires end of FY12

BACKUP

Budget Activities

- **BUDGET ACTIVITY 1, BASIC RESEARCH.**

Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

- **BUDGET ACTIVITY 2, APPLIED RESEARCH.**

Applied research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific national security requirement may be met.

- **BUDGET ACTIVITY 3, ADVANCED TECHNOLOGY DEVELOPMENT.**

Includes development of subsystems and components and efforts to integrate them into system prototypes for field experiments and/or tests in a simulated environment.

- **BUDGET ACTIVITY 4, ADVANCED COMPONENT DEVELOPMENT AND PROTOTYPES.**

Includes all efforts necessary to evaluate integrated technologies, representative modes or prototype systems in a high-fidelity and realistic operating environment.

- **BUDGET ACTIVITY 5, SYSTEM DEVELOPMENT AND DEMONSTRATION.**

Includes those projects that have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production.

- **BUDGET ACTIVITY 6, RDT&E MANAGEMENT SUPPORT.**

Includes research, development, test and evaluation efforts directed toward sustainment and/or modernization of installations or operations required for general research, development, test and evaluation.

- **BUDGET ACTIVITY 7, OPERATIONAL SYSTEM DEVELOPMENT.**

Includes those development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current budget or subsequent fiscal year. Program elements in this budget

FYDP Major Force Programs

- Program 1 – Strategic Forces
- Program 2 – General Purpose Forces
- Program 3 – Command, Control, Communications, and Intelligence
- Program 4 – Mobility Forces
- Program 5 – Guard and Reserve Forces
- Program 6 – Research and Development
- Program 7 – Central Supply and Maintenance
- Program 8 – Training, Medical, and Other General Personnel Activities
- Program 9 – Administration and Associated Activities
- Program 10 – Support of Other Nations
- Program 11 – Special Operations Forces